What is the real cost of investing in IT Solutions?

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Reduce the Total Cost of Ownership (TCO) of your technology

Nearly two-thirds of small and medium sized businesses are expected to buy new IT equipment this year, replacing one in four office computers. Hardware manufactures now offer powerful computers at highly discounted prices, but what will this equipment really cost you in the long run? Whether you purchase a PC, notebook, laptop, server or other network hardware, you will likely experience a shock once you factor in the total cost of ownership (TCO).

Tight budgets and limited expertise often deter small organizations from making effective IT decisions. However, understanding the hidden technology costs can actually help you reduce unnecessary expenditures and reallocate resources to more important business functions.

ComputeZero has defined the current industry standards for determining TCO below. Before you invest in new IT equipment this year, ComputeZero encourage you to evaluate your spending history and implement best practices that will improve your bottom line.

Why is TCO Important?

Gartner, Inc. www.gartner.com defines TCO as the total cost of using and maintaining an IT investment over time. TCO calculations include a combination of direct costs (hardware, software, operations and administration) and indirect costs (end-user operations and downtime).   TCO is often overlooked, and unbudgeted, presenting an inaccurate IT spending analysis.Most organizations believe their direct costs end at the point of purchase. However, research shows that a computer's base price typically represents less than 20% of its TCO, with technical support,

maintenance and labour costs accounting for the remaining 80%. These aftermarket expenses represent the greatest piece of the TCO pie and should therefore warrant the highest levels of scrutiny.

Computers require constant configuring and maintenance. Ongoing costs related to security measures, software updates, computer repair and general support are unavoidable. However, simplifying your IT infrastructure and management processes will increase efficiency, expand productivity and significantly reduce your TCO.

How much do you spend on technology?

Probably more than you think. The pie chart below illustrates the costs of unmanaged workstations with the total cost averaging over AED 19,000.
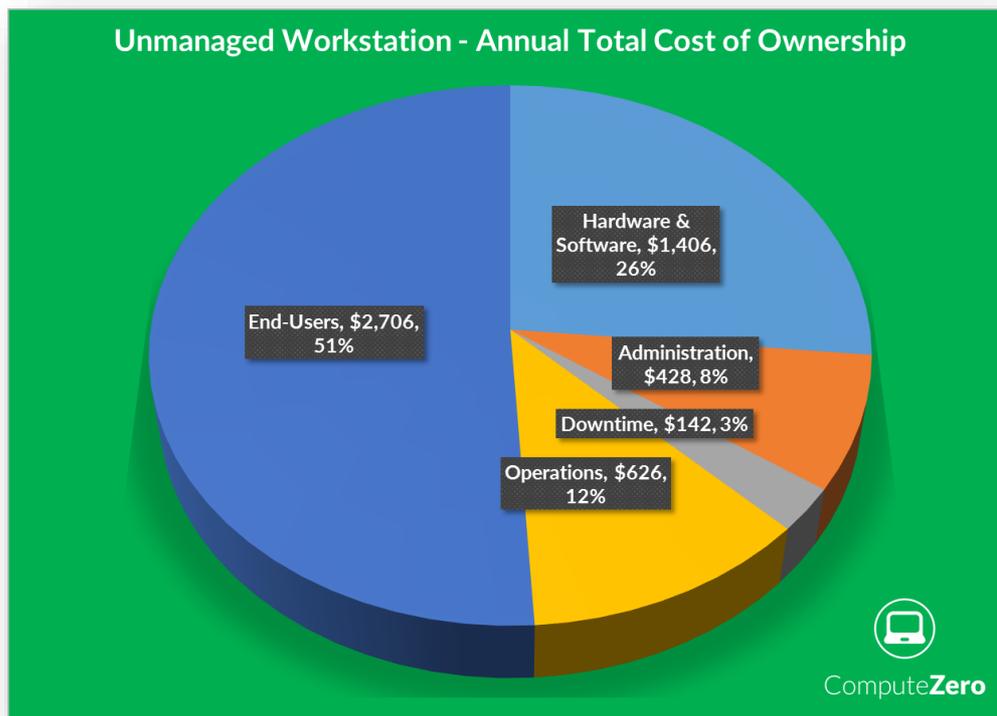
If you factor in associated costs of networking, internet, security, storage, servers then the figure goes beyond AED 30,000 annually.

It's important to understand that the initial purchase of a piece of IT hardware is just a small element of the total cost of owning it. A AED 3,000 laptop is likely to cost more than AED 50,000 over its 3-year lifespan.

If a 10 person organisation upgrades its workstations every 5 years, then it's likely to spend in the region of AED 440,676 managing these devices <u>after</u> the purchase. The same logic applies to buying servers, network devices and storage systems. The real investment follows the initial purchase.

Invest in managing your workstations to reduce TCO

Gartner recently found that a well-managed computer is 37% less expensive than the example above, often saving several thousand dirhams per PC, per year.

IT spending is really a balancing act between hardware, software and services. According to Gartner, strong PC management is the key to overall cost reduction. The more money allocated for direct IT expenditures, such as operations and administration, the less money will be wasted on lost productivity and downtime.

Unfortunately, the reverse is also true. Because of declining IT budgets over the last few years, organizations have been forced to hold back on new purchases and temporarily patch up ailing IT systems. However, pinching pennies on proper infrastructure and management procedures will cost you dearly in the long run.

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How to reduce TCO and increase efficiency

- Measure your current IT spending so you can effectively manage and control your costs.

- Build and maintain an accurate inventory of hardware, software and appropriate licenses.

- Reduce complexity by standardizing equipment, software platforms and configurations.

- Streamline processes for operating system patches, security updates, data back-up and maintenance.

- Protect against viruses, spyware, hackers and physical threats.

- Control user access to applications, settings, network resources, databases, and other IT assets.

- Outsource key IT functions, such as technical support, data storage and back-up, to trusted, experienced vendors.

- Provide regular training for both employees and internal IT staff.

- Consider implementing a "thin client" or "utility computing" model to more effectively manage and protect PCs.

For help with reducing your IT TCO contact ComputeZero at + 971 4 556 1570

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